

# Disclosure Brochure

March 30, 2015



*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Hilton Capital Management, LLC (hereinafter "Hilton Capital Management"). If you have any questions about the contents of this brochure, please contact Barbara Martens at (516) 535-3828. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Hilton Capital Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Hilton Capital Management is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since Hilton Capital Management's last annual update filed March 3, 2014. Hilton Capital Management is currently the manager to the Direxion Hilton Tactical Income Fund, a mutual fund and investment company registered with the SEC and general partner to the Tullamore Capital LP hedge fund. These relationships are further described in Item 4 below.

The Hilton Capital Master Fund Ltd is currently undergoing liquidation and is no longer taking on new investors.

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## Item 4. Advisory Business

Hilton Capital Management has been doing business as an SEC registered investment adviser since January 2002. The firm's mission is to provide superior investment management services. Hilton Capital Management strives to preserve its clients' capital and build sustainable wealth. Specifically, risk-adjusted returns are the paramount concern. Each client's individual risk parameters are determined so that Hilton Capital Management can seek to build an appropriate portfolio constructed to match client objectives. The firm's mission is to be pursued with transparency, customer service, and business integrity.

Hilton Capital Management provides investment management services to its clients. Prior to engaging Hilton Capital Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Hilton Capital Management setting forth the terms and conditions under which Hilton Capital Management renders its services (collectively the "Agreement").

The principal owners of the firm are Rafferty Holdings, LLC and William Garvey. Hilton Capital Management has \$635,438,012 of assets under management as of December 30, 2014, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of Hilton Capital Management. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Hilton Capital Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Hilton Capital Management's behalf and is subject to Hilton Capital Management's supervision or control.

### Investment Management Services

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Clients can engage Hilton Capital Management to manage all or a portion of their assets on a discretionary basis. As detailed in Item 8, Hilton Capital Management primarily allocates clients' investment management assets among master limited partnerships ("MLPs"), real estate investment trusts ("REITs"), individual debt and equity securities, collective investment vehicles, options and/or mutual funds in accordance with the investment objectives of the client. However, Hilton Capital Management also may provide advice about any type of investment held in clients' portfolios.

Hilton Capital Management also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Hilton Capital Management either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

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Hilton Capital Management tailors its advisory services to the individual needs of clients. Hilton Capital Management consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Hilton Capital Management ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Hilton Capital Management if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Hilton Capital Management's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Hilton Capital Management's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Sub Advisory Services**

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Hilton Capital Management offers a platform of management services to other investment advisers through a sub-advisory relationship.

## **Management of Collective Investment Vehicle**

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Hilton Capital Management also acts as investment manager to affiliated domestic ("*Hilton Capital Partners, L.P.*") and offshore ("*Hilton Capital Fund, SPC*") funds through a master-feeder relationship; Tullamore Capital GP LLC acts as the General Partner to the Tullamore Capital L.P. fund (together, the "*Hilton Capital Partners Funds*"). Interests in the *Hilton Capital Partners Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Hilton Capital Partners Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. Hilton Capital Management's affiliate has discretionary authority to determine the broker or dealer to be used by the *Hilton Capital Partners Funds*. The *Hilton Capital Partners Funds*' investment objective is to seek to achieve superior total return on its assets over the intermediate to long-term by investing in global fixed income and equity securities, commodities and currencies and their related derivatives.

Participation as an investor in the *Hilton Capital Partners Funds* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

To the extent certain of Hilton Capital Management's individual advisory clients qualify, they will be eligible to participate as limited partners of the *Hilton Capital Partners Funds*. Investment in the *Hilton Capital Partners Funds* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Hilton Capital Partners Funds*, including the compensation received by Hilton Capital Management or any affiliate as the general partner and/or investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum

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(the “*Memorandum*”), Limited Partnership Agreement (the “*Agreement*”), and Subscription Agreement (together, the “*Offering Documents*”), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Hilton Capital Partners Funds*.

While the *Hilton Capital Partners Funds* is generally Hilton Capital Management’s client, the term “client(s)” sometimes refers to the investors in the *Hilton Capital Partners Funds*.

Hilton Capital Management will devote its best efforts with respect to its management of both the *Hilton Capital Partners Funds* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Hilton Capital Partners Funds*, Hilton Capital Management may give advice or take action with respect to the *Hilton Capital Partners Funds* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Hilton Capital Partners Funds* and certain individual client accounts, such investments will be allocated between the *Hilton Capital Partners Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which Hilton Capital Management determines is fair and equitable under the circumstances to all of its clients.

## **Management of a Registered Investment Company**

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Hilton Capital Management currently serves as the manager to the Direxion Hilton Tactical Income Fund (the “*Mutual Fund*”), an investment company registered with the SEC that seeks total return consistent with the preservation of capital. The *Mutual Fund* pursues its investment objective by utilizing an investment strategy that employs a disciplined approach to balancing fixed income investments with historically higher income producing equity securities, with a focus on minimizing absolute risk and volatility. Hilton Capital Management attempts to mitigate portfolio risk and volatility by creating a diversified portfolio of income producing securities that also offer the potential for capital appreciation. These securities may include common and preferred stocks of any capitalization, MLPs, REITs, and a variety of debt instruments of any maturity, including corporate bonds, exchange-traded notes (“ETNs”), municipal bonds, and securities issued, backed or otherwise guaranteed by the U.S. government, or its agencies, including securities issued by U.S. government sponsored entities.

Additional information about the *Mutual Fund*, including associated risks, management fees (paid to Hilton Capital Management), distribution and service fees, and operating expenses are outlined in the *Mutual Fund*’s statutory prospectus and/or other related offering documents, which all prospective investors are encouraged to review. A conflict of interest exists to the extent Hilton Capital Management recommends an investment in the *Mutual Fund* due to the fact that the firm is entitled to receive a management fee based upon the *Mutual Fund*’s net asset value. Hilton Capital Management seeks to ensure that any such recommendations are made on a fully-disclosed basis and aligned with its individual clients’ best interests.

## Item 5. Fees and Compensation

Hilton Capital Management offers its services on a fee basis, which may include fees based upon assets under management or the performance of the client's portfolio.

### Investment Management Fee

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Hilton Capital Management provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Hilton Capital Management. Hilton Capital Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Hilton Capital Management does not, however, receive any portion of these commissions, fees, and costs. Hilton Capital Management's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Hilton Capital Management on the last day of the previous quarter. The annual fee varies (between 0.15% and 1.25%), depending upon the market value of the assets under management and the type of investment management services to be rendered.

### Performance Fee

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Hilton Capital Management also may render investment management services to *qualified clients* for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Hilton Capital Management charges a fee based upon a percentage of the market value of the assets being managed by Hilton Capital Management ("*base fee*") in addition to a fee based on the performance of the account ("*performance fee*").

The firm charges a *performance fee* up to ten percent (10%) based upon the performance of the account. The *performance compensation* received by Hilton Capital Management is subject to a high-water mark. Hilton Capital Management also charges a *base fee* which varies (between 0.15% and 1.25%) based upon the value of the assets under management and the type of investment management services to be rendered.

The firm may charge its fees to the *Hilton Capital Partners Funds* based upon a percentage of the market value of the assets being managed by Hilton Capital Management ("*base fee*"), in addition to compensation based on the performance of the account ("*performance compensation*"). Hilton Capital Management receives *performance compensation* of up to twenty percent (20%) of the performance of the *Hilton Capital Partners Funds*. The *performance compensation* received by Hilton Capital Management is subject to a high-water mark. The firm will also charge a *base fee* of up to one-and-a-half percent (1.50%) of the *Hilton Capital Partners Funds*.

Under both relationships, Hilton Capital Management's annual *base fee* shall be prorated and charged quarterly, in arrears, based upon the market value of the assets on the first day of the quarter. The firm's

*performance compensation* shall be charged annually, in arrears. Under this fee arrangement, there is the potential for a conflict of interest in that the *performance compensation* may be an incentive for Hilton Capital Management to make investments that are riskier or more speculative than would be the case absent a *performance compensation* arrangement.

Hilton Capital Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Hilton Capital Management generally recommends that clients utilize the brokerage and clearing services of various broker-dealers for investment management accounts.

Hilton Capital Management may only implement its investment management recommendations after the client has arranged for and furnished Hilton Capital Management with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, any broker-dealer recommended by Hilton Capital Management, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange-traded fund (“ETF”) in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Hilton Capital Management’s fee.

Hilton Capital Management’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize Hilton Capital Management to debit the client’s account for the amount of Hilton Capital Management’s fee and to directly remit that management fee to Hilton Capital Management. Any *Financial Institutions* recommended by Hilton Capital Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Hilton Capital Management. Alternatively, clients may elect to have Hilton Capital Management send an invoice for payment.



## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Hilton Capital Management and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Hilton Capital Management's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Hilton Capital Management's right to terminate an account. Additions may be in cash or securities provided that Hilton Capital Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Hilton Capital Management, subject to the usual and customary securities settlement procedures. However, Hilton Capital Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Hilton Capital Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### Item 6. Performance-Based Fees and Side-by-Side Management

As discussed in response to Item 5, above, Hilton Capital Management may render investment management services to *qualified clients* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Hilton Capital Management to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Hilton Capital Management charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

Hilton Capital Management has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

## Item 7. Types of Clients

Hilton Capital Management provides its services to individuals, investment limited partnerships or other collective vehicles, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, the firm shall generally impose a minimum portfolio size of \$250,000. Hilton Capital Management, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Hilton Capital Management only accepts clients with less than the minimum portfolio size if, in the sole opinion of Hilton Capital Management, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The firm may aggregate the portfolios of family members to meet the minimum portfolio size.

In addition, Hilton Capital Management imposes a minimum investment in the *Hilton Capital Partners Funds*. The firm, in its sole discretion, may accept clients with smaller portfolios in its sole discretion. A description of the minimum investments of the *Hilton Capital Partners Funds* and the firm's ability to waive such minimum is described in the applicable *Offering Documents* of each *Hilton Capital Partners Fund*.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Investment Strategies, Methods of Analysis and Risk of Loss

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#### *Hilton Tactical Income Strategy*

A majority of Hilton Capital Management's clients are invested in the "Hilton Tactical Income Strategy." This strategy is a strictly disciplined approach that focuses on the need for income by creating portfolios that include MLPs, REITs and other equities. Portfolios will be split along product lines and will stress diversification of assets. While growth may occur, the major focus will be to generate income greater than is available in an intermediate fixed-income portfolio.

This strategy will hold investments that are not pure yield plays, and thus provide diversification benefits. Furthermore, clients may receive a higher yield than comparable risk profile fixed income investments. In addition, the ability to grow the dividend or distribution may have the effect of reducing the impact of rising interest rates.

Hilton Capital Management's management team utilizes a top down fundamental research process, basing asset allocation decisions on emerging macro-economic conditions. In addition, the team performs rigorous bottom up fundamental analysis in its selection of MLPs and REITs. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

The firm utilizes a number of different vehicles in managing these portfolios. Both technical and fundamental factors are used to identify opportunities within the marketplace. Sector analysis specifically in MLP and REIT markets result in identifying core positions that represent what the firm believes to be the best in those specific arenas. The ability of security issuers to generate current and future cash flows is an important criterion in the selection process. Furthermore, the tax advantaged treatment of MLP distributions may provide an excellent cash flow vehicle for investors. In endeavoring to diversify the portfolio, Hilton Capital Management has extended its sector representation to mortgage REITS, BDs and multinational corporations with an emphasis on strong dividend growth. Hilton Capital Management utilizes a covered call strategy in an effort to enhance yields and occasionally purchase ETFs as a hedge. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Hilton Capital Management will be able to accurately predict such a reoccurrence.

#### *Hilton Capital Partners Funds*

As previously stated, *Hilton Capital Partners Funds'* principal investment objective is to seek to achieve superior total return on its assets over the intermediate to long-term by investing in global fixed income and equity securities, commodities and currencies and their related derivatives. The firm believes that imbalances in financial markets are created from time to time by the influence of economic, political and

capital flow factors. Hilton Capital Management seeks to exploit these conditions by applying appropriate directional and relative value strategies. The firm applies an investment process based on macroeconomic fundamental analysis and market momentum analysis to attempt to identify strategies offering a favorable risk-return profile.

*Hilton Capital Partners Funds* will seek to achieve its objectives by trading and investing on a global basis in securities, commodities and derivatives of any kind (though primarily in liquid securities and commodities), including public and private debt and/or equity contracts for differences, swaps and exchange-traded and over-the-counter derivatives, structured notes and other hybrid securities or commodities.

All relevant information, terms and conditions relative to the *Hilton Capital Partners Funds*, including investment strategies and risk factors are set forth in the *Offering Documents*, which each investor is required to receive and/or execute prior to being accepted as an investor in the *Hilton Capital Partners Funds*.

### *Wealth Preservation Strategy*

Certain legacy clients are also invested in the “Wealth Preservation Strategy.” This strategy is a strictly disciplined approach that focuses on preservation of the client’s capital. Given the continued volatility of interest rates, it is Hilton Capital Management’s opinion that strategies stressing capital preservation benefits its clients.

Hilton Capital Management’s investment approach involves creating index-like portfolios stressing credit quality, sector selection, and duration/maturity management similar to well known industry benchmarks, and to thereby develop well diversified portfolios that seek to benefit from yield-curve analysis, individual security selection, and sector rotation.

The strategy emphasizes relative value in securities of intermediate durations. In an effort to achieve index like returns, this strategy will purchase individual securities in the US Government, agency, corporate and municipal markets. In addition, allocations may be made to mortgages and preferred stock. Credit quality is the primary concern in building portfolios. While rate risk can be hedged, the potential loss of principal is the paramount concern of clients who participate in this strategy. Tax considerations are considered when assessing individual bonds. Both fundamental and technical analysis is utilized. Yield curve analysis seeks to establish the optimum point on the curve to invest. There is no laddered approach, but rather a strategy that employs selecting on a risk adjusted basis certain bonds in a given duration.

### *Financial Opportunity Strategy*

The Financials Opportunity Strategy will seek to take advantage of expected further consolidation in the United States banking industry by investing in publicly traded small and mid-cap banks that are likely to

be acquired during the current consolidation cycle. Specifically, the Strategy will invest in bank franchises that are trading at attractive valuations who are likely to attract multiple potential acquirers.

### **Additional Risks of Loss**

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#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its

contractual obligations. In addition, with regard to covered calls, risk of financial loss with this strategy generally comes from the shares of stock. This loss can occur if the stock price continues to decline in price as the written call expires. At the call's expiration, loss can usually be calculated as the original purchase price of the stock less its current market price, less the premium received from initial sale of the call.

### *Market Risks*

The profitability of a portion of Hilton Capital Management's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Hilton Capital Management will be able to predict those price movements accurately.

### *Use of Private Collective Investment Vehicles*

Hilton Capital Management may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Hilton Capital Management in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Hilton Capital Management will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to Hilton Capital Management. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's

borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.



### **Item 9. Disciplinary Information**

Hilton Capital Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Hilton Capital Management does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

Hilton Capital Management is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Hilton Capital Management has described such relationships and arrangements below.

### **Related Broker Dealer, Investment Adviser and Commodity Pool Operator**

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Hilton Capital Management is under common control and ownership with Rafferty Capital Markets, LLC ("*RCM*"), an SEC registered broker-dealer and member of FINRA. Hilton Capital Management also has an agreement in place with *RCM* whereby Hilton Capital Management manages certain *RCM* accounts. In addition, certain of the *Supervised Persons* of Hilton Capital Management are also registered representatives of *RCM*. These registered representatives do not currently effect securities brokerage transactions on a commission basis for Hilton Capital Management's investment advisory clients.

Hilton Capital Management is solely owned by Rafferty Holdings, LLC ("*Holdings*"), and is under common control and ownership with Rafferty Asset Management, LLC ("*RAM*"), an SEC registered investment adviser, Hilton Capital Partners GP, LLC ("*HCP*"), a registered commodity pool operator also registered with the National Futures Association, and Tullamore Capital GP LLC ("*TC*") a general partner to a private fund.

Hilton Capital Management has no arrangements with *RCM*, *Holdings*, *RAM*, *HCP*, or *TC* that it believes are material to its advisory business or clients.

### **Fund Management**

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Hilton Capital Management serves as the investment manager to several private pooled investment vehicles, as well as the *Mutual Fund*. These arrangements are described at length in Item 4 (above).

## Item 11. Code of Ethics

Hilton Capital Management and persons associated with Hilton Capital Management (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Hilton Capital Management’s policies and procedures.

Hilton Capital Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Hilton Capital Management’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Hilton Capital Management or any of its associated persons. The *Code of Ethics* also requires that certain of Hilton Capital Management’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Hilton Capital Management is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Hilton Capital Management to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Hilton Capital Management generally recommends that clients utilize the brokerage and clearing services of *Financial Institutions*.

Factors which Hilton Capital Management considers in recommending *Financial Institutions* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by *Financial Institutions* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Hilton Capital Management's clients comply with Hilton Capital Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Hilton Capital Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Hilton Capital Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Hilton Capital Management and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Hilton Capital Management periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Hilton Capital Management in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Hilton Capital Management will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Hilton Capital Management (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hilton Capital Management may decline a client's request to direct brokerage if, in Hilton Capital Management's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Hilton Capital Management decides to purchase or sell the same securities for several clients at approximately the same time. Hilton Capital Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hilton Capital Management's clients differences in prices and commissions or other transaction costs that might have

been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Hilton Capital Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Hilton Capital Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Hilton Capital Management's *Supervised Persons* may invest, Hilton Capital Management generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Hilton Capital Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hilton Capital Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Hilton Capital Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Hilton Capital Management in its investment decision-making process. Such research generally will be used to service all of Hilton Capital Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hilton Capital Management does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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Hilton Capital Management may receive from *Financial Institutions*, without cost to Hilton Capital Management, computer software and related systems support, which allow Hilton Capital Management to better monitor client accounts maintained at *Financial Institutions*. Hilton Capital Management may receive the software and related support without cost because Hilton Capital Management renders investment management services to clients that maintain assets at *Financial Institutions*. The software

## Hilton Capital Management, LLC Disclosure Brochure

and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Hilton Capital Management, but not its clients directly. In fulfilling its duties to its clients, Hilton Capital Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Hilton Capital Management’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Hilton Capital Management’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

## Item 13. Review of Accounts

### Account Reviews

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Hilton Capital Management monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Hilton Capital Management's principals. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Hilton Capital Management and to keep Hilton Capital Management informed of any changes thereto. Hilton Capital Management contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account Statements and Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Hilton Capital Management provides investment advisory services will also receive a report from Hilton Capital Management that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Hilton Capital Management.

Investors in the *Hilton Capital Partners Funds* shall receive a report from Hilton Capital Management that may include such relevant account and/or market-related information such as account performance on a quarterly basis. In addition, all investors in the *Hilton Capital Partners Funds* receive the audited financial statements of the fund in which they have invested within 120 days of the end of such fund's fiscal year.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Hilton Capital Management is required to disclose any direct or indirect compensation that it provides for client referrals. Hilton Capital Management does not have any required disclosures to this Item.

### Other Economic Benefits

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In addition, Hilton Capital Management is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.



## Item 15. Custody

Hilton Capital Management's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Hilton Capital Management through such *Financial Institution* to debit the client's account for the amount of Hilton Capital Management's fee and to directly remit that management fee to Hilton Capital Management in accordance with applicable custody rules.

The *Financial Institutions* recommended by Hilton Capital Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Hilton Capital Management. In addition, as discussed in Item 13, Hilton Capital Management also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Hilton Capital Management.

### Private Fund

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Hilton Capital Management acts as investment adviser to *Hilton Capital Partners Funds* and due to Hilton Capital Management and Tullamore Capital GP LLC's role as the general partners and/or managers of the *Hilton Capital Partners Funds*, the Firm is deemed to have custody of client assets. As such, Hilton Capital Management engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the *Hilton Capital Partners Funds*. The Firm distributes the audited financials to each investor within 120 days of the *Hilton Capital Partners Funds*' fiscal year-end.

### Item 16. Investment Discretion

Hilton Capital Management is given the authority to exercise discretion on behalf of clients. Hilton Capital Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Hilton Capital Management is given this authority through a power-of-attorney included in the agreement between Hilton Capital Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Hilton Capital Management takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

The firm generally only votes proxies on behalf of the *Hilton Capital Partners Funds*. When Hilton Capital Management accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Hilton Capital Management's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Hilton Capital Management's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Hilton Capital Management to request information about how Hilton Capital Management voted proxies for that client's securities or to get a copy of Hilton Capital Management's Proxy Voting Policies and Procedures. A brief summary of Hilton Capital Management's Proxy Voting Policies and Procedures is as follows:

- Hilton Capital Management's Chief Investment Officer has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Chief Investment Officer will generally vote proxies according to Hilton Capital Management's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Hilton Capital Management devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Hilton Capital Management's vote on a particular solicitation but can revoke Hilton Capital Management's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Hilton Capital Management maintains with persons having an interest in the outcome of certain votes, Hilton Capital Management takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### Item 18. Financial Information

Hilton Capital Management is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



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Prepared by:

